



News Release

TO: THE BUSINESS EDITOR

From: Paul Gillard - Director, Corporate & Legal Services, **Tenon Limited**
Telephone: 64-9-571 9846
Fax: 64-9-571 9872

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Information on Tenon Limited can be found at <http://www.tenon.co.nz>.

STOCK EXCHANGE LISTINGS: NEW ZEALAND (TEN), AUSTRALIA (TNN) & NEW YORK (FFS).

LETTER TO SHAREHOLDERS ON REVISED OFFER

Auckland, 25 May, 2004 – Attached is the letter to shareholders on the Partial Takeover Offer by Rubicon Forests Limited.

25 May 2004

Dear Shareholder

Partial Takeover Offer by Rubicon Forests Limited (“Rubicon”)

You should by now be aware that Rubicon has increased its partial takeover Offer price for Tenon by 5%, to NZ\$1.95 per share. Tenon’s Independent Directors have considered Rubicon’s revised Offer price and recommend that shareholders do not accept it. The Rubicon Offer is unfair, undervalues the potential of the Company, and provides no indication that Rubicon has new strategies to further improve Tenon’s performance:

- The Offer price is **still** below the Independent Adviser, Grant Samuel's, valuation range of NZ\$2.01 and NZ\$2.22;
- The Offer price **still** provides no significant takeover control premium;
- The Offer price is **below** the NZ\$1.96 to NZ\$2.06¹ range of valuations published during May (following Tenon’s improved profit performance) by analysts from major international investment banks, *before including any takeover control premium*;

Based on the above, Tenon’s Independent Directors believe the Offer price **undervalues** the Company taking into account its financial performance over the last year, its evolving strategy, and future prospects. Furthermore, Tenon’s Independent Directors note that;

- The Offer is **still** highly conditional and there is no certainty that the conditions will be satisfied or waived;
- The Offer is **still** a partial offer, which results in considerable uncertainty;
- The Offer is **still** not available to all Tenon shareholders, and certain acceptances may be invalidated by Rubicon; and

¹ Based on research reports published by Goldman Sachs JBWere and Macquarie Research

- Rubicon has **still** not proposed any alternative strategy for delivering additional value for all Tenon shareholders.

Shareholders should also note the comments made in Tenon's Target Company Statement, which demonstrated:

- The value being delivered by Tenon's new strategy, as evidenced by a 53% increase in Tenon's share price during the period from June 2003, when the new strategy was first announced, to just prior to Rubicon's intended partial Offer being announced;
- The performance being delivered by Tenon's new management team. Further success was achieved last week with the announcement that the sale of the Tarawera forest estate for NZ\$165 million is now unconditional; and
- The strong growth prospects for the business, arising from recently completed and commissioned increases in the capacity, efficiency and capability of the Company's operations and management, which are expected to deliver further benefits for Tenon shareholders in the future.

Given our confidence in the strategy and prospects for the Company, Tenon's Independent Directors and senior management team will not be accepting the Offer for their shares in Tenon.

As disclosed in the Target Company Statement, a number of other parties have expressed an interest in Tenon since Rubicon announced its intended partial Offer. At this point, their interest has not produced a superior competing bid.

The Independent Directors consider it is only fair to point out that Rubicon is offering a premium (albeit small) on the current market price of NZ\$1.92, and only needs to acquire shares from the majority of a relatively small number of institutional shareholders who hold approximately 40% of the Company's share capital to obtain a controlling interest.

However, the Independent Adviser, Grant Samuel (page 39, Independent Adviser's Report) states that "to achieve 50.01% Rubicon requires 39.7% of the remaining shareholders (excluding US resident shareholders and ADR holders who have been excluded from the Offer) to accept. This is a high threshold for a partial bid particularly when change of control does not appear to offer any discernable benefits to remaining shareholders."

In Grant Samuel's opinion the price to be paid under a partial takeover offer where the offeror will gain control should reflect the full underlying value of the Company. The Rubicon Offer does not, and would leave 49.99% of the Company's shares in the hands of existing shareholders as minority shareholders in a company controlled by a third party.

On balance, the Independent Directors do not believe it is in the best interests of shareholders to accept an offer that is unfair, undervalues the Company, and provides no indication of new strategies to improve its performance, unless shareholders have a very short-term focus. For these reasons, we recommend that shareholders do not accept the revised partial takeover Offer made by Rubicon Forests Limited.

We look forward to your continuing support as a Tenon shareholder.

Yours sincerely



Sir Dryden Spring
Chairman